

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11
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R 201723Z JUL 78
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 1698

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E.O. 11652: N/A
TAGS: EFIN, EG
SUBJ: PUBLIC SECTOR WAGE INCREASE; TAX BILL APPROVED BY
- SADAT

REF: (A) CAIRO 15245, (B) CAIRO 15556

1. PRESIDENT SADAT ENDORSED TWO PIECES OF PENDING LEGIS-
LATION--THE NEW CIVIL SERVICE PAY SCALE AND TAX REFORM
MEASURE--PRIOR TO HIS DEPARTURE TO KHARTOUM, PRESS
ANNOUNCED JULY 20.

2. IN APPARENTLY QUIET DECISION JUST BEFORE HIS DEPARTURE
FOR OAU SUMMIT IN KHARTOUM, SADAT TURNED HIS ATTENTION TO
DOMESTIC AFFAIRS AND ENDORSED PUBLIC SECTOR WAGE BILL
APPROVED BY GOE PA JUNE 14 AND TAX REFORM PROPOSAL WHICH HE
HAD RETURNED TO ASSEMBLY FOR REDRAFTING IN EARLY MAY.
WAGE CHANGE HAD BEEN ANTICIPATED SINCE JANUARY AND WILL
ONLY BE RETROACTIVE TO JULY 1, ACCORDING PRESS. IMPLEMENT-
ING REGULATIONS FOR BOTH LEGISLATIVE ITEMS ARE DUE WITHIN
A FEW WEEKS, LOCAL ARABIC DAILIES ANNOUNCED THAT TAX BILL,
WHICH WILL LOWER WITHHOLDING AMOUNTS ON MANY GOVERNMENT
SALARY CHECKS, IS REPORTEDLY TO GO INTO IMPLEMENTATION
BEFORE DETAILS OF PLAN ARE PUBLISHED. IMPLEMENTING
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REGULATIONS FOR PUBLIC SECTOR PAY HIKE ARE EXPECTED LATE
NEXT WEEK.

3. COMMENT: IN DISCUSSIONS WITH MINFIN OFFICIALS JULY 20,
EMBOFF LEARNED THAT EXECUTIVE BRANCH BELIEVES DELAY IN
PAY RAISE WAS GOOD STRATEGY ON PART OF SADAT AS ONLY HALF
OF PLANNED LE 160 MILLION EXPENDITURE TO FINANCE PAY HIKE

WILL BE NEEDED SINCE RAISE WAS DELAYED TO MID YEAR. THIS
MEANS, ACCORDING BUDGET OFFICIAL, GOE WILL EASILY FUND 10
DAY BONUS ANNOUNCED BY PRESIDENT MAY 6 (ESTIMATED AT
APPROXIMATELY LE 30 - 35 MILLION) PLUS NEW CIVIL SERVICE
RAISE AND HAVE SOME MONIES LEFT. MOST BELIEVED TAX RE-
VISION, HOWEVER, WOULD HAVE LITTLE EFFECT ON ANY BUT LOWER
INCOME GROUPS, WHO WILL RECEIVE INCREASED DISPOSABLE INCOME;
INFLATION HAS ALREADY WIPED OUT ANY REAL GAINS MOST COULD
EXPECT. DETAILS OF BOTH PIECES OF LEGISLATION WILL
FOLLOW WHEN INFORMATION ON IMPLEMENTING REGULATIONS
AVAILABLE. SCARRITT

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Message Attributes

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